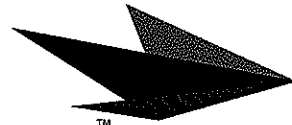


Voice | Data | Internet | Wireless | Entertainment



EMBARQTM

Embarq
Mailstop: ORHRA0412
902 Wasco
Hood River, OR 97031
embarq.com

September 13, 2007

Andy Pollock
Executive Director
Nebraska Public Service Commission
1200 N Street, Suite 300
Lincoln, NE 68508

Re: Application No. NUSF-69, Progression Order No. 1; Reply
Comments of United Telephone Company of the West d/b/a
Embarq

Dear Mr. Pollock:

Please accept for filing an original and five copies of United Telephone Company of the West d/b/a Embarq comments in this matter. If you have any questions, please do not hesitate to contact me or Jim Roberts, at (651) 222-0951.

Sincerely,

William E. Hendricks, Esq.

William E. Hendricks
ATTORNEY
Voice: (541) 387-9439
tre.hendricks@embarq.com

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to implement policies and procedures related to providing dedicated universal service support for wireless telecommunications services.

Application No. NUSF-69

Progression Order No. 1

Reply Comments of Embarq

**REPLY COMMENTS OF UNITED TELEPHONE COMPANY OF
THE WEST d/b/a EMBARQ**

United Telephone Company of the West d/b/a Embarq respectfully submits these comments in response to initial comments filed in this proceeding. The Commission has asked in this matter whether it should use the dedicated wireless Nebraska Universal Service fund ("NUSF") program to "buy down" the cost of connecting cellular towers to the public switched telephone network ("PSTN") in rural areas so that those connection costs will be comparable to connection costs incurred in urban areas. Embarq appreciates the opportunity to provide these reply comments.

Embarq first wishes to comment that it is premature for the Commission to consider whether to use the dedicated wireless program to help wireless companies with the cost of connecting cellular towers to the PSTN. The Commission is in the early stages of developing the policy and procedures for this program and other more fundamental issues must be addressed first, including those for which the Commission

requested comments in NUSF-69 Progression Order #2. Which specific costs to support and the proper amount of support should be addressed at a later time.

Despite the fact that it is too early to effectively answer these questions, Embargo does agree with the initial comments of the Nebraska Telecommunications Association (“NTA”). NTA argues that support from the dedicated wireless program should not be used to buy down the cost of connecting *existing* cellular towers.¹ First, no wireless carrier is obligated to provide service in uneconomic areas (as incumbent local exchange carriers are). Second, all wireless carriers are normal, profit-seeking firms. Thus, if a wireless carrier has an existing cellular tower in an area, the carrier has built it because it believes that the cellular tower will be a profitable investment. In other words, the revenues the carrier expects to receive from the additional cellular tower will exceed the costs of building, maintaining, and operating that cellular tower. Furthermore, it is extremely unlikely, to the point of being incomprehensible, that a wireless carrier would expend several hundred thousand dollars to build and maintain a cellular tower if believed it would not recoup the cost of that investment.

The Commission’s efforts regarding the dedicated wireless program should be focused on expanding service in the unserved and underserved areas of the state. Providing support for existing cellular towers does nothing to expand wireless service in rural Nebraska.

¹ See Initial Comments of Nebraska Telecommunications Association, at p. 1.

With regard to connections to as-yet-built cellular towers, there is no current consensus that the cost of connection is prohibitive or a legitimate barrier to deployment. It is true that several parties suggested in their initial comments that the cost of connecting a cellular tower to the PSTN can be extremely high to the point of being prohibitive.² Embarq respectfully disagrees.

Cellular tower connectivity to the PSTN is typically achieved through special access facilities. The Federal Communications Commission ("FCC") recently requested and received comments in its proceeding to review special access rates. Embarq stated, in its initial comments in this proceeding, that:

The allegations that special access pricing, and particularly the pricing of Special Access Channel Terminations providing connections to wireless network tower locations, present a substantial deterrent to establishing more wireless tower locations is not credible...The often advanced suggestion that the relative operating costs (including capital recovery, cost of capital, and maintenance) of these large investments are so adversely affected by the much smaller lease costs of Special Access Channel Terminations so as to inhibit their construction is, at best, simply not believable.³

Indeed, competition in the special access market is thriving, and such competition serves to reduce connectivity costs to wireless towers, even in rural areas. For example, on August 1, 2007, FiberTower announced that it had signed a backhaul

² Mobius Communications states in its initial comments, "Connection and back haul costs in rural areas can be extremely expensive and should not stand as a prohibitive economic barrier to the deployment of wireless infrastructure in high cost areas." Similarly, N.E. Colorado Cellular, Inc, d/b/a Viaero Wireless states, "Experience shows that such connection facilities, typically provided by ILECs, can be very expensive, and in many cases significantly more expensive in rural areas than in urban areas."

³ See *In the Matter of Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No 05-25, Embarq Initial Comments at page 19.

agreement for Sprint Nextel's WiMax buildout. The announcement states that FiberTower will provide backhaul services to seven of Sprint Nextel's WiMax launch markets.⁴ AT&T also reports intensifying competition for special access products.

AT&T, in its initial comments in the FCC's special access proceeding, states:

Over the past two years, the competition provided by each of these alternatives has intensified or, in the case of broadband wireless, has been realized on a large scale for the first time. While competition has increased everywhere, the most dramatic intervening developments have occurred in more remote areas where traditional CLECs have deployed fewer facilities. Those areas have been aggressively targeted by cable operators and wireless broadband providers, largely in response to skyrocketing demand from wireless carriers for special access facilities to serve cell sites located in those areas. As a result, alternative special access facilities have been broadly deployed in these (and other) areas and are extensively used by cellular carriers and other special access customers for DS1 and higher capacity services.⁵

Verizon reports similar experiences:

The dramatic growth in wireless voice and data connections and usage has in the past few years given rise to new suppliers seeking to serve the rapidly growing niche for wireless backhaul services. This growth is expected to result in five-fold increases in the demand for bandwidth at individual cell sites over the next few years. As a result, many new alternative providers and technologies have emerged to compete aggressively for this business, including not only traditional wireline carriers, but also fixed wireless providers and cable operators. Wireless carriers are also self-supplying backhaul facilities using microwave or other alternative technologies. (citations omitted)⁶

⁴ See <http://www.firstavenet.com/corp/news-press-releases-080107.shtml>

⁵ See *In the Matter of Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No 05-25, AT&T Initial Comments at page 9.

⁶ See *In the Matter of Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No 05-25, Verizon Initial Comments at page 25.

AT&T also reports that its wireless operations have benefited from the increased competition for special access facilities:

As a purchaser of special access, AT&T has also obtained benefits from this increased competition. For example, in areas where AT&T is not the incumbent LEC, AT&T Mobility has take advantage of the increased competition offered by cable operators and now purchases DSn-level 'backhaul' circuits from cable operators in a number of markets outside its incumbent LEC footprint.⁷

The fact that AT&T takes advantage of this increased competition, and benefits from such competition through lower rates is illustrative of the fact that the competitive market for special access facilities is healthy. As a result, the Commission has no reason to believe that *connection* costs—rather than equipment costs, maintenance costs, or any other cost—play any more or less of a role in determining whether any new cellular tower is profitable to implement than any other costs. This is why the question of whether to use the dedicated wireless program to help wireless carriers with the cost of connecting cellular towers to the PSTN is premature.

In conclusion, Embarq believes the question of buying down the cost of connecting cellular towers to the PSTN in rural areas is premature. It is too early in the process of establishing the policies and procedures for the dedicated wireless program to determine which costs should or should not be supported. Should the Commission wish to proceed with the issue of connectivity costs, Embarq believes that the costs of

⁷ AT&T Initial Comments at page 20.

connectivity are not prohibitively high as to deter construction of new cell sites in rural areas.

Respectfully submitted this 13th day of September 2007.

By: 

William E. Hendricks
United Telephone Company of the West
d/b/a Embarq
902 Wasco Street
Hood River, OR 97031
Phone (541) 387-9439
Fax (541) 387-9753
Tre.Hendricks@Embarq.com

Attorney for United Telephone
Company of the West d/b/a Embarq